

# LEARNING MORE

## about Special Districts

### What are special districts?

Special districts are a form of local government. They are created by their constituents to meet specific service needs for their communities. Most perform a single function such as water delivery, fire protection, wastewater or cemetery management to name just a few. Some, like community services districts, provide multiple services.

Special districts are not cities and counties, they are not school districts, they are not Mello-Roos districts, and they are not state government. Special districts work hand-in-hand with cities and counties to provide communities with essential public services and to keep pace with the demands of fulfilling all the public service needs of California's rapidly growing population.

### What kinds of special districts are out there ... to name a few?

- Airport
- Public Cemetery
- Community services
- Drainage
- Flood control
- Fire protection
- Healthcare/hospital
- Harbor/port
- Irrigation
- Library
- Mosquito abatement and vector control
- Police protection
- Reclamation
- Recreation and park
- Open space
- Resource conservation
- Sanitation/wastewater
- Transit
- Utility
- Water
- Water conservation
- Waste management

### How does a special district differ from a city or county?

Special districts are limited-purpose local governments. They provide only the services their residents desire within a designated, limited boundary. By contrast, cities and counties are general-purpose local governments. They provide a broad array of services for residents throughout their geographic boundaries. Furthermore, counties in unincorporated areas, and cities are responsible for land-use decisions.

### What is the difference between independent special districts and dependent special districts?

Independent special districts are governed by their own boards of board members/trustees who are elected by voters or appointed to fixed terms by elected officials in their districts. These boards do not consist of ex officio members who are officers of the county or another local agency. About two-thirds of the state's special districts are independent special districts.

Dependent special districts are governed by other, existing legislative bodies such as a city council or a county board of supervisors, or appointees that serve at the pleasure of those bodies and can be removed or replaced any time at their will.

### How are special districts funded?

Special districts are funded either through local property tax revenues, fees charged to customers for their services or a combination of the two. Special districts that rely primarily on property tax revenues are considered non-enterprise, while districts that primarily generate revenue through fees for service are considered enterprise.



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**How are special districts created?**

Special districts require majority-vote approval by citizens in the proposed district to be created, or a two-thirds vote if a new tax is required to fund the district's operations. When residents or landowners want new services or a higher level of service not otherwise provided by cities and counties, they can propose to form their own special district to pay for and administer the services by applying to the Local Agency Formation Commission (LAFCo).

**What is Proposition 13?**

Proposition 13, enacted by voters in 1978, imposed strict limits on property taxes to one percent of property value, causing special districts, cities and counties to lose much of their local control and funding security. Before Prop 13, special districts received \$945 million from property taxes (1977-1978). Shortly after Prop 13 was imposed (1978-1979), special district property tax revenue dropped to \$532 million, a loss of almost 50 percent.

**What is ERAF?**

ERAF is the Educational Revenue Augmentation Fund. During the recession of the early 1990s, the state took property taxes from special districts, cities and counties and shifted them into ERAF to offset its debt and spending obligations to education. That mandated property tax shift of precious local government revenue continues today despite the fiscal hardships it has caused local governments. Since ERAF began in 1992, the state has annually shifted over \$500 million in local property tax revenue from special districts.

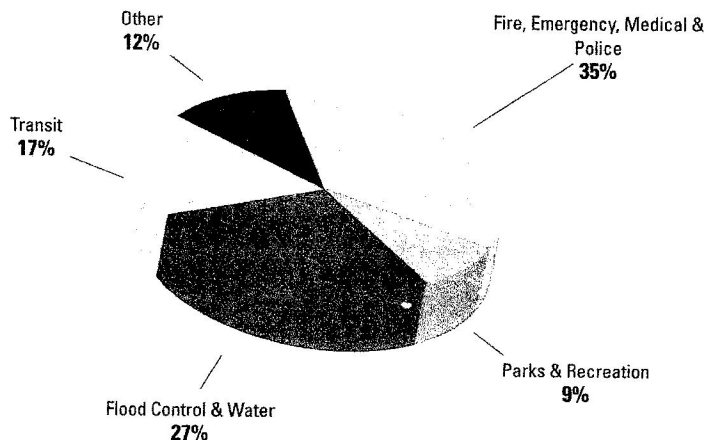
**What is Proposition 1A?**

Proposition 1A limited the state's future ability to transfer funds away from local governments, except in the case of fiscal emergencies. The amount is limited to eight percent of property tax revenues in a county and must be paid back within three years, with interest.

**What is LAFCo?**

Local Agency Formation Commissions (LAFCo) are responsible for coordinating logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, simplify and streamline governmental structure and preparing a Sphere of Influence for each city and special district within each county. The LAFCo's efforts are directed to seeing that services are provided efficiently and economically while agricultural and open-space lands are protected.

**Where do special district tax dollars go?**



# WHAT IS A COMMUNITY SERVICE DISTRICT

Special districts are a form of local government. They are not cities; they are not counties; they are not school districts; they are not Mello-Roos districts; and they are not state government. Special districts are limited-purpose local governments providing only the services their constituents want and need.

Special districts can link costs to benefits. That is, only those who benefit from special district services pay for them. Those who do not benefit do not pay.

Special districts are open, visible and accountable to their constituents.

Special districts are visible because their services are either used or seen almost everyday by their constituents.

As public agencies, special districts must comply with the Brown Act, which means meetings of their governing boards must be open and publicly announced.

Special districts cannot be formed without the consent of a majority of voters in their districts, and they cannot raise taxes without two-thirds support.

Special districts are accountable to voters and the customers who use their services. They must submit annual financial reports to the State Controller and also must follow state laws pertaining to public meetings, bonded debt, record keeping and elections.

Special districts are funded either through a share of local property tax revenue and/or fees generated from their constituents who vote to form them and hold them accountable for all that they do.

Special districts are special because they provide focused services that residents in their communities want, need and approve at the ballot box.

No special district can operate without the consent of voters deciding what services they want for their communities.

Special district board members and trustees all take an ethics training course every two years to ensure what they do on a day-to-day basis is compliant with state law and to best serve their constituents.

Special districts only provide the services that their constituents want and need.

Special districts do their jobs and do their jobs well. Like any public entity, not much is reported about them when customers are pleased and things are going well. It's typically when controversy arises like a rate hike or service reduction that they become more apparent. As the Little Hoover Commission agrees: "No news is good news. The vast majority of special districts are successful and clearly many are."

Special districts and the core services they provide will be devastated if the state continues to balance the books off the backs of local governments.

Special districts have lost \$10 billion since the state began shifting local property tax revenue to offset its own debt and spending obligations as far back as 1992 and it continues to shift over \$500 million per year.

Property tax revenue losses are particularly difficult for independent special districts because, unlike cities and counties, property tax revenue is often the sole or primary source of funding for the provision of services.

Everyday, millions of Californians are served by special districts. This includes the water that brews our coffee in the morning, the parks our children enjoy, the street lights and the fire trucks we depend on, an evening BBQ without mosquitoes, the books that enrich our knowledge—all thanks to special districts.

Special districts serve the public by delivering critical, life-saving fire and police protection, as well as essential healthcare services.

Loss of additional local government revenue to the state presents a serious hardship for many independent special districts that can only be absorbed by program cuts and staff and service reductions.

It's unfair to ask residents of special districts to replace the property tax revenue taken by the state that they originally voted to go to special districts. This could result in double taxation on these residents just to restore the same services to their original level.

Special districts designated as "non-enterprise districts" are funded through a portion of property taxes. They don't lend themselves to fees because the services benefit the entire community and not just individual residents. About three-quarters of the state's special districts are non-enterprise districts. Some of them include libraries, police and fire protection, mosquito and vector control, and public cemeteries. Though non-enterprise districts rely overwhelmingly on property taxes for their operational expenses, certain services, such as a park district's pool, can generate a small amount of fee revenue.

Special districts fill voids in city and county services and heighten the level of services desired by their constituencies.

Special districts can serve single or multiple functions and can serve small neighborhoods or large regions. They tailor their services to citizen demand.

Independent special districts are governed by their own boards of directors. They are elected by voters in their district or appointed to fixed terms by elected officials in their district who are accountable to their constituents.

Nearly all of California residents rely on special districts for some form of service that is delivered to their homes, businesses and/or communities.